

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 ISO-00 SP-03 AID-20 NSC-07 RSC-01

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TO SECSTATE WASHDC 9676

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SUBJECT : FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: A. STATE 053993

B. CONAKRY 1143, JULY 16, 1973

C. CONAKRY 1149, JULY 17, 1973

1. INVESTMENT STATISTICS ARE THE SAME AS REPORTED IN LAST YEAR'S SUBMISSION (REFTELS B&C).

2. INVESTMENT CLIMATE. THE REPUBLIC OF GUINEA HAS A POLICY OF COOPERATION IN MANY AREAS WITH FOREIGN GOVERNMENT AND PRIVATE INVESTORS. PRIVATE INVESTORS, REPRESENTING UNITED STATES, JAPANESE AND WESTERN EUROPEAN FIRMS AS WELL AS THE GOVERNMENT OF THE SOVIET UNION AND OTHER COMMUNIST AND AFRICAN COUNTRIES ARE ALREADY SUCCESSFULLY ENGAGED IN LARGE AND MEDIUM SCALE INVESTMENT PROJECTS WITH THE GUINEAN GOVERNMENT. THE GUINEAN ECONOMY IS ORGANIZED ALONG SOCIALIST LINES WITH THE GOVERNMENT OWNING OUTRIGHT OR PARTICIPATING IN THE OWNERSHIP OF NEARLY ALL COMMERCIAL ENTERPRISES. PRICES AND WAGES TO A LARGE EXTENT ARE DETERMINED BY GOVERNMENT EDICT. SINCE INDEPENDENCE THE ECONOMY HAS BEEN AT A SUBSISTENCE LEVEL AND PER CAPITA INCOME IS ONLY ABOUT \$80 PER YEAR.

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OPIC HAS GRANTED A CURRENT TOTAL OF \$156.9 MILLION IN POLITICAL

RISK INSURANCE TO AMERICAN FIRMS, NONE OF WHICH HAS BEEN CALIMED.

3. THE NEW FIVE YEAR DEVELOPMENT PLAN, ANNOUNCED IN SEPTEMBER 1973, PLACES THE GREATEST EMPHASIS ON FOOD PRODUCTION. IN CONNECTION WITH THE PLAN, ADDITIONAL INVESTMENT IS BEING SOUGHT FOR PLANNED PROJECTS IN AGRICULTURE, STOCK RAISING, COMMERCIAL FISHING AND MINING. INVESTMENT WOULD ALSO BE WELCOMED IN AREAS THAT REDUCE DEPENDENCE ON IMPORTS OR INCREASE EXPORTS. THERE ARE NO EXPORT CONTROLS. MOST INVESTMENTS SHOULD BE GEARED AT LEAST PARTIALLY TO THE EXPORT TRADE SINCE THE LOCAL CURRENCY IS OVERVALUED AND NOT FREELY CONVERTIBLE AND THE GOVERNMENT'S RESERVES OF FOREIGN EXCHANGE ARE LIMITED. THE GOVERNMENT HAS MAINTAINED RIGID IMPORT CONTROLS FOR THE LAST SEVERAL YEARS.

4. IN RECENT YEARS AGREEMENTS WITH FOREIGN INVESTORS HAVE PROVIDED FOR AT LEAST 49 PERCENT GUINEAN GOVERNMENT OWNERSHIP AND A SIZEABLE SHARE OF THE PROFITS. ALL AGREEMENTS PROVIDE FOR A POLICY OF PROGRESSIVELY TRAINING GUINEANS TO FILL JOBS AT ALL LEVELS. INVESTORS WHOSE PRODUCTS EARN FOREIGN EXCHANGE ARE ALLOWED TO REMIT THEIR PROFITS ABROAD. LOCAL PROCUREMENT OF RAW MATERIALS AND INTERMEDIATE INPUTS IS RESTRICTED ONLY BY AVAILABILITY. GUINEA HAS PARTICIPATED IN THE NEGOTIATIONS FOR AN ECONOMIC COMMUNITY OF WEST AFRICAN STATES (ECWAS) BUT DOES NOT YET BELONG TO ANY REGIONAL GROUPING. IF THE ECWAS IS FOUNDED, IT IS LIKELY THAT GUINEA WILL SERIOUSLY CONSIDER BECOMING A MEMBER. ANTI-TRUST LAWS DO NOT EXIST IN GUINEA, AND THERE ARE NO FCN, AER OR DOUBLE-TAXATION TREATIES WITH THE UNITED STATES.

5. WITHIN THIS FRAMEWORK, A VARIETY OF ARRANGEMENTS ARE AVAILABLE AND THE GUINEAN GOVERNMENT IS FLEXIBLE IN MAKING AGREEMENTS. SINCE DECISION-MAKING POWERS ARE CONCENTRATED IN THE EXECUTIVE, GUINEAN LAWS DO NOT POSE AN OBSTACLE TO ARRIVING AT A SATISFACTORY AGREEMENT. NATIONAL ASSEMBLY RATIFICATION OF AGREEMENTS IS PRO FORMA. BASED ON PAST EXPERIENCE, ONCE AN AGREEMENT HAS BEEN SIGNED, A FOREIGN INVESTOR CAN COUNT ON THE GUINEAN GOVERNMENT TO LIVE UP TO ALL ITS PROVISIONS. THE KEY TO SUCCESSFUL OPERATIONS IN GUINEA IS

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TO ESTABLISH RELATIONS OF MUTUAL CONFIDENCE WITH THE GOVERNMENT AND TO JUDGE THE GOVERNMENT BY ITS ACTIONS.
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